



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	SB0132	<b>Title:</b>	Clarify taxpayer confidentiality and exchange of info laws among state agencies
<b>Primary Sponsor:</b>	Moss, Lynda	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Other - Proprietary	\$189,885	\$14,000	\$14,000	\$14,000
<b>Revenue:</b>				
General Fund	\$75,000	\$75,000	\$75,000	\$75,000
State Special Revenue	\$25,000	\$25,000	\$25,000	\$25,000
Other - Proprietary	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance</b>	<u>\$75,000</u>	<u>\$75,000</u>	<u>\$75,000</u>	<u>\$75,000</u>

**Description of fiscal impact:** SB 132 generally revises the confidentiality and sharing of tax information between the Department of Revenue, Secretary of State, and the Department of Commerce. It repeals the statute limiting disclosure of Resource Indemnity Trust and Groundwater Assessment reports. There is \$203,885 fiscal impact to the Secretary of State's office for computer system modifications during the 2011 biennium. The Department of Revenue anticipates to increase miscellaneous revenue by about \$100,000 per year.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Revenue (DOR)**

- Section 7 of this bill repeals section 15-38-109, MCA, which restricts how the information on resource indemnity trust and ground water assessment (RIGWAT) reports can be used. This section of law limits the amount of compliance activities that the department of revenue can pursue.

2. Based on previous experience with information exchanges with the Department of Environmental Quality and the repeal of 15-38-109, RIGWAT collections are expected to increase by \$25,000 annually.
3. Section 3 requires the Secretary of State's office to provide the DOR with the name, principal office, name and address of the registered agent and the last four digits of the federal tax identification number of any entity that files and annual report with the SOS.
4. Based on past information exchanges, the last four digits of the federal tax identification number will increase the accuracy of matching programs used to identify non-compliance by businesses in the state. It is estimated that these programs will increase miscellaneous tax revenue by \$75,000 annually.
5. The revenue from the RIGWAT will increase state special revenue by \$25,000 annually. The revenue from the miscellaneous taxes will increase revenue in the state general fund by \$75,000 annually.
6. Section 3 of this bill also requires the DOR to disclose the name, address, and business activity code of any corporation, business trust, limited partnership, limited liability company or limited liability partnership that filed a tax return with the secretary of state.
7. Gentax, the computer software used by the department of revenue to administer state taxes, would have to be modified to accommodate the data exchange with the secretary of state's office. This change in GenTax would require 120 hours of development and 80 hours of testing. The system costs would be covered under our maintenance agreement, and the testing costs would be covered by existing staff.

**Secretary of State (SOS)**

8. SB 132 requires the disclosure of the federal tax identification number of a business entity on the Annual
9. Report filed with the SOS.
10. The SOS database shall be enhanced to maintain the Federal Tax ID number and the Department of Revenue specific tax year data as defined by the bill.
11. The estimated cost includes a one time cost of \$30,000 to modify the existing database. Time will be spend to code and test modifications to the existing system used for the web interface process for accessing Corporation and LLC mainframe data, test the application online modifications to add, change, inquiry, and update history screens, test batch reporting enhancements, a process to update the current SOS database to include existing Federal Tax IDs, and additional data as received from DOR, and to define security for both the SOS mainframe application and the BEAR interface process.
12. An additional one time cost for redaction is \$109,000, of which \$14,000 is on-going.
13. A bulk mailing, notifying customers of the change, will cost \$44,000.
14. A one time cost to Montana Interactive will cost \$6,885, not for adding the field, but the additional security needed for the sensitive area.

**Department of Commerce (DOC)**

15. Section 4 of the bill amends 15-68-815, MCA, to allow the DOR to furnish the DOC the information necessary to administer the accommodations tax proceeds distributed to it pursuant to 15-65-121, MCA. Said information furnished to the DOC is subject to the restrictions on disclosure outside that agency as provided in Section 4, subsection (1)(a). There is no fiscal impact to the DOC.

## Department of Revenue

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Revenues:</u></b>				
General Fund (01)	\$75,000	\$75,000	\$75,000	\$75,000
State Special Revenue (02)	\$25,000	\$25,000	\$25,000	\$25,000
<b>TOTAL Revenues</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>	<b>\$100,000</b>

## Secretary of State

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Expenditures:</u></b>				
Operating Expenses	\$189,885	\$14,000	\$14,000	\$14,000
<b>TOTAL Expenditures</b>	<b>\$189,885</b>	<b>\$14,000</b>	<b>\$14,000</b>	<b>\$14,000</b>
<b><u>Funding of Expenditures:</u></b>				
Other - Proprietary	\$189,885	\$14,000	\$14,000	\$14,000
<b>TOTAL Funding of Exp.</b>	<b>\$189,885</b>	<b>\$14,000</b>	<b>\$14,000</b>	<b>\$14,000</b>
<b><u>Revenues:</u></b>				
Other - Proprietary	\$0	\$0	\$0	\$0
<b>TOTAL Revenues</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Statewide Net Impact to Fund Balance (Revenue minus Funding of Expenditures):**

General Fund	\$75,000	\$75,000	\$75,000	\$75,000
State Special Revenue	\$25,000	\$25,000	\$25,000	\$25,000
Other - Proprietary	(\$189,885)	(\$14,000)	(\$14,000)	(\$14,000)

**Technical Concerns**

**Secretary of State (SOS)**

1. The bill requires that the list be furnished by December 15. It is not clear whether the list would include all returns from January 1 through December 15 or the list would be established between the two agencies. The list would not include tax returns filed prior to the effective date of the legislation.
2. The business activity code is not currently entered into computer systems. The legislation only requires the business activity code “if available.”

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*